

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY TAIPEI

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E.O. 11652: N/A

TAGS: EIND, ETRD, TW

SUBJECT: US FERROUS SCRAP EXPORTS

REF: TAIPEI 4007

1. ROC EMBASSY MINISTER MARTIN WONG AND ECON COUNSELOR T.W. HU MET WITH DEPTOFFS JULY 9 FOR DISCUSSION US FERROUS SCRAP EXPORT LICENSING AND ROC SCRAP REQUIREMENTS. CHINESE LEFT WITH DEPTOFFS PAPER EXPRESSING HOPE USG WOULD ALLOW SHIPMENT OF ROC SCRAP ORDERS CURRENTLY ON US BOOKS AND ALSO PERMIT CONTINUOUS FLOW OF US SCRAP TO ROC. COPIES PAPER AND FERROUS SCRAP SUPPLY FACT SHEET PREPARED BY COMMERCE (WHICH GIVEN TO WONG AND HU) POUCHED EMBASSY.

2. DEPTOFFS EXPLAINED USG LICENSING POLICY TO WONG AND HU: FOR EXPORT ORDERS OVER 500 SHORT TONS ACCEPTED ON OR BEFORE JULY 1, ALL SHIPMENTS SCHEDULED FOR JULY BEING LICENSED FOR EXPORT. POLICY ON SHIPMENTS SCHEDULED AFTER JULY 31 TO BE ANNOUNCED AT LATER DATE. NO LICENSES BEING ISSUED ON
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ORDERS FOR 500 TONS OR MORE ACCEPTED AFTER JULY1. FOR

TIME BEING, EXPORT ORDERS FOR UNDER 500 TONS BEING LICENSED, REGARDLESS OF WHEN ORDERS WERE ACCEPTED.

3. IN REPLY QUESTIONS RE USG POLICY ON POST-JULY SHIPMENTS, DEPTOFFS SAID USG HOPEFUL THAT VOLUNTARY JAPANESE ACTION LIMITING TOTAL CY 1973 SCRAP IMPORTS FROM US TO 5 MILLION NET TONS AND SPREADING IMPORTS OVER REMAINDER OF YEAR, AS ANNOUNCED BY GOJ JULY 2, WOULD ENABLE USG TO LICENSE FOR EXPORT ALL REMAINING PRE-JULY 2 ORDERS SCHEDULED FOR SHIPMENT IN 1973. AS OF JUNE 17, COMMERCE ESTIMATES JAN-JUNE EXPORTS TO JAPAN AT 3,256,000 NET TONS, WITH ADDITIONAL 3,257,000 TONS ON ORDER BOOKS FOR SHIPMENT IN JULY-DEC. (LATTER FIGURE INCLUDES 500,000 TONS PURCHASED BY JAPANESE TRADING COMPANIES AND DESTINED FOR OTHER COUNTRIES, PRINCIPALLY TAIWAN AND KOREA.) TOTAL JAPANESE ORDERS FOR SHIPMENT IN 1973 THUS 6.5 MILLION TONS, OR 6.0 MILLION TONS FOR JAPAN ITSELF, EXCLUDING PURCHASES FOR OTHER COUNTRIES. JAPANESE ACTION LIMITING IMPORTS TO 5 MILLION TONS WILL DEFER TO 1974 ONE MILLION TONS NOW ON ORDER BOOKS FOR 1973 SHIPMENT, THUS EASING, BUT NOT ELIMINATING, SERIOUS US SUPPLY SITUATION. TOTAL OF CY1973 EXPORTS TO DATE TO ALL COUNTRIES PLUS ORDERS ON BOOKS FOR 1973 SHIPMENT IS 12.4 MILLION TONS, AND JAPANESE ACTION WILL REDUCE THIS FIGURE TO 11.4 MILLION, WHICH WILL STILL MEAN RECORD SCRAP EXPORTS IN 1973 (PREVIOUS HIGH WAS 10.4 MILLION TONS IN 1970).

4. COMMERCE ESTIMATES JAN-JUNE 1973 SCRAP EXPORTS TO TAIWAN AT 338,000 NET TONS. IN ADDITION, COMMERCE DATA SHOW TAIWANESE ORDERS TOTALING 104,000 NET TONS ON BOOKS FOR JULY-DEC 1973 SHIPMENT, TO WHICH SHOULD BE ADDED UNSPECIFIED PORTION OF 500,000 TONS PURCHASED BY JAPANESE TRADING COMPANIES FOR SHIPMENT TO THIRD COUNTRIES. ROC EMBASSY ON JULY 12 PROVIDED DEPT WITH LISTING (BEING POUCHED EMBASSY) OF PRE-JULY 1 ROC SCRAP ORDERS SHOWING 490,000 LONG TONS SCHEDULED FOR JULY-DEC 1973 SHIPMENT. ONE ORDER, FOR 100,000 LONG TONS, SCHEDULED FOR OCT-MARCH SHIPMENT, BUT EVEN REMOVING THIS ORDER ENTIRELY FROM LIST LEAVES FIGURE FAR LARGER THAN ORDERS SHOWN IN COMMERCE DATA. LIMITED OFFICIAL USE

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COMMERCE WILL TRY RECONCILE DIFFERENCES IN FIGURES. TWO POSSIBILITIES BEHIND DIFFERENCES MAY BE JUNE 17 CUT-OFF ON COMMERCE DATA, AND FACT THAT SUBSTANTIAL PORTION OF ORDERS ON ROC LISTING MAY HAVE BEEN PLACED THROUGH JAPANESE TRADING COMPANIES AND THUS INCLUDED WITH JAPANESE ORDERS ON BOOKS. RE LATTER POINT, WOULD BE HELPFUL IF EMBASSY COULD ASCERTAIN VOLUME OF JULY-DEC SHIPMENTS ORDERED THROUGH JAPANESE TRADING COMPANIES. (DEPT ALSO

TRYING OBTAIN THIS INFO VIA EMBASSY TOKYO.)

5. WONG AND HU NOTED THAT SUBSTANTIAL PORTION ROC SCRAP IMPORTS ARE IN FORM OF OLD SHIPS FOR SCRAPPING, AND IN-

QUIRED RE THESE. THEY WERE INFORMED THAT AT PRESENT USG LICENSING REQUIREMENTS DO NOT APPLY TO EXPORTS OF SHIPS FOR SCRAPPING. USG TRADE STATISTICS (FT-410) SHOW EXPORTS OF SHIPS FOR SCRAPPING TO TAIWAN OF 112,000 NET TONS IN 1972 (OF TOTAL 299,000 TONS EXPORTED THIS ITEM); 106,000 TONS (OF TOTAL 396,000 TONS) IN 1971; AND 57,000 TONS (OF TOTAL 531,000 TONS) IN 1970. WOULD BE HELPFUL IF EMBASSY COULD ASCERTAIN WHAT PORTION OF ROC ORDERS ON JULY 12 ROC LISTING CONSIST OF SHIPS FOR SCRAPPING.

6. RE FOREIGN TRADE BOARD DIRECTOR WONG'S REQUEST (PARA THREE REFTEL) THAT USG GRANT ROC EXCEPTION ENABLING IT TO RECEIVE SCRAP UNDER PURCHASE AND SHIPPING CONTRACTS ALREADY CONCLUDED, DUE EXTREMELY TIGHT US SCRAP SUPPLY SITUATION, USG UNABLE TO MAKE ROC EXCEPTION TO ANNOUNCED LICENSING POLICY. HOWEVER, AS NOTED PARA 3 ABOVE, USG HOPEFUL THAT JAPANESE ACTION REDUCING SCRAP IMPORTS FROM US WILL ENABLE FILLING OF REMAINING PRE-JULY 2 ORDERS ON US BOOKS. RUSH

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